

5 7 Feb

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BRIEFING NOTES FOR THE DIRECTOR

NATIONAL SECURITY COUNCIL



CENTRAL INTELLIGENCE AGENCY

Office of Current Intelligence

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State Department review completed

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Approved For Release 2003/10/07 : CIA-RDP80R01443R000100020004-6

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SOVIET WORLD

Throughout the Orbit the effort to strengthen internal security and eradicate Western contamination was accentuated in the past week with arrests and trials of alleged Western espionage agents, exposures of Zionist "plots," and in Poland with renewed attacks on the Catholic Church.

Yugoslav Deputy Foreign Minister Bebler and party theoretician Djilas have expressed the opinion that Beria may be in disgrace and that Russia is undergoing crucial internal struggles, probably associated with the choice of Stalin's successor.

Both Djilas and Bebler, by virtue of their long association with the Russians, are particularly acute observers of Soviet behavior. However, there is no firm evidence available to indicate how high in the Soviet hierarchy the current charges of slackness and gullibility will reach or how long they will continue.

Poland - trial and conviction of Cracow spy ring

Czechoslovakia - continuing repercussions of Slansky trial and trial of additional minor officials

Hungary - some rumors of arrest of Security and Justice officials; arrest of Stoekler, head of Jewish community in Hungary

Rumania - warning that crimes of Luca have not yet been expunged

Bulgaria - trial of ten "spies" sent by US from Turkey

USSR - 28 January Pravda criticism of additional officials for crimes ranging from inefficiency and talking too much, to treasonous intent to hand over secret information to enemy agents.

KOREA

Prisoners of War on Koje Island may be planning some sort of demonstration on 8 February, North Korean Army Day. This might include a "mass outbreak," a riot, or merely a celebration.

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There is no implication of any connection between such an outbreak and a possible enemy offensive.

BURMA

We have reason to believe that the Burmese Government may be considering ending the Point IV program. Leading officials are apprehensive lest the new American administration require commitments which the Rangoon government is unwilling to make. They also appear convinced that Burma's favorable financial position will enable them to carry out their own development program. Many members of the dominant Socialist Party resent dependence on foreign aid, and the presence in Rangoon of large numbers of Americans connected with the program has caused widespread irritation.

Point Four Program in Burma

US cost 1951 - 1953 \$21,000,000

Local contribution \$37,380,000

Training awards to promising specialists in Burma - 184

US Staff 1953 - 148

Program: restored port of Rangoon with new loading equipment, wharfside construction, training for Burmese cargo handlers, plans to dredge channel. Other harbors being rehabilitated.

Malaria cut from 50% to 10% in Shan States.

Hospital and medical college being built.

Flood control projects to increase arable land.

Farming methods, seed improvement, livestock disease control, irrigation projects being taught.

Basic equipment for schools and technical educational exchange programs.

IRAN

The Anglo-Iranian oil negotiations are stalemated as a result of Mossadeq's recent counterproposals, in which he suggested direct negotiations between the Anglo-Iranian oil company (AIOC) and Iran, rather than arbitration by the International Court of Justice. He also insists that Iran cannot consider any proposal calling for reimbursement of the AIOC for the loss of future profits.

The British feel that Mossadeq has never really been interested in reaching a settlement, but Ambassador Henderson, although discouraged, feels there is still some hope of finding a new basis for discussion.

Meanwhile, Mossadeq appears to believe that he can sell oil to private firms in the US, Argentina and Europe. Some 5,000 tons of Iranian oil is enroute to Italy on an Italian tanker. Three other tankers under charter to Italian firms are reportedly ready to sail to Abadan to pick up more oil. However, it is not felt that Iran will be able to sell significant quantities without first settling with the AIOC.

1. No Iranian oil has been shipped to the Orbit, although at least two trade agreements including oil have been signed. Chief obstacle is lack of tankers, although a limited amount could be shipped to the USSR by rail.

2. Iran can produce crude oil, but can carry out only primary refining process.

3. Without oil revenues, Iran's economy will continue "to settle slowly."

4. Mossadeq is probably the only man in Iran who could sign an agreement and obtain its ratification.

ISRAEL - ARAB STATES

The recent minor border clashes between Israel and Jordan underscore the basic Israeli-Arab conflict to which a solution may never be found.

The present border between Israel and the Arab States represents an armistice line and not a final agreement. Jordanina-Israeli relations, because of the two countries' long common frontier, were governed by a special agreement of May 1952. When this lapsed on 22 January, the Jordanian member of the Mixed Armistice Commission stated that he would not sign another agreement with Israel because Tel Aviv had broken all previous ones, and warned that after 22 January any Israeli soldier crossing the demarcation line would be shot.

In addition to the problem of Arab infiltration of Israel and Israeli retaliation, Mount Scopus in the Jerusalem area constitutes a source of potentially dangerous friction. The senior Israel delegate has warned that Israel may use force to ensure its access to the Hebrew University and Hadassah Hospital on the Mount. Jordan has charged that the Israelis are smuggling arms under the pretext of supplying the area. Mount Scopus with the contiguous Mount of Olives commands the main road to the old city of Jerusalem on the Jordanian side of the armistice line.

ANGLO-EGYPTIAN SUDAN

The Governor General of the Sudan and all other observers fear a breakdown of law and order as a result of Sudanese demands for more independence than is provided for in the draft constitution.

Negotiations on the constitution have been lagging for several months between Britain, Egypt and the Sudanese. Britain has been very difficult and the Nagib government, which originally adopted a much more reasonable attitude than its predecessors, may become more nationalistic as Egypt's crisis continues. In the meantime there is little hope for the creation of the Middle East Defense Organization as long as this dispute and the question of British troops in the Canal Zone remain unsettled.

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1. The Sudan has been a condominium since 1899; the administration has been exclusively in British hands since 1924.
 2. After Nagib came to power six months ago, the Egyptians dropped their demands for the unification of Egypt and the Sudan.
 3. The other Arab countries are unlikely to join MEDO unless Egypt does.

BERLIN

The 12 January letter of the Soviet air commander in Germany, denying the validity of Allied-Russian air safety rules in the Berlin air corridors, presages possible harassment of allied air traffic.

The USSR has the capability seriously to hamper Western air traffic to Berlin through radio-navigational interference. There are no other indications that overt action will be taken against Western aircraft.

Soviet authorities have consistently taken the position that the air corridors were established for the use of occupation troops in Berlin and not for commercial carriers. They now assert that present corridor safety rules are invalid because the Allied-Russian Control Council never approved them.

Berlin's position will become steadily more untenable. We feel that the USSR is convinced that it must eventually complete the sealing off of West Berlin. Otherwise, its control of East Germany will remain in jeopardy.

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